

REPORT OF THE AUDITOR–GENERAL ON KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Ports Authority set out on pages 48 to 109, which comprise statement of financial position as at 30 June 2017, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and believe, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Ports Authority as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Ports Authority Act (Cap 391) of 1978.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Property Plant and Equipment

1.1 Alienated Properties

As similarly reported in the previous year, the statement of financial position as at 30 June 2017 reflects property plant and equipment balance of Kshs.133,409,067,000. The property plant and equipment balance included leased land of Kshs.6,162,840,000 and land and buildings of Kshs. 22,052,993,000.

Information availed for audit indicated that twenty nine (29) properties valued at Kshs.313,400,000 belonging to the Authority had been invaded by third parties. The Management indicated that third parties had purportedly acquired ownership rights over the properties and undertaken development. The Authority had filed suit in various law courts which were pending determination, as outlined in the appendix I.

1.2 Land Without Title Documents

As reported in the previous year, included in the property plant and equipment of Kshs.133,409,067,000 for the year ended 30 June 2017 is land and buildings valued at Kshs.22,052,993,000 owned by the Authority. Documents availed for audit review indicated that the Authority did not have title deeds for thirty four (34) parcels of land valued at Kshs 3,478,490,000 as detailed in appendix II.

Although the Management has engaged a private consultant in the month of May 2017 to conduct verification of all its properties, there were no alternative verification document provided to confirm that the parcels were owned by the Authority and were free from any encumbrances.

1.3 Idle Parcels of Land

As reported in the previous years, the property plant and equipment balance of Kshs.133,409,067,000 as at 30 June 2017 includes 14 pieces of land measuring about 263.47 hectares and valued Kshs.660,932,445 which are not utilized at detailed in appendix III:

Although the management has indicated the proposed action plan for each parcel of land the actions has not been executed and status remains as reported in the previous year.

1.4 Reclaimed Land

1.4.1 Excision of Part of Harbour Area

As similarly reported in the previous financial year, KPA tariff book pronounces all the tidal waters encircling the Mombasa Island as Harbour Area. However, a firm of private developers has reclaimed part of the waters encircling the island adjacent to the Kenya Ports Authority offices.

The Authority vide a letter ref TSM/3/1/03 dated 20 September 2010 inquired from the developer why they were reclaiming land which had not been communicated to the Authority. On 17 December 2015 the National Land Commission vide letter ref NLC/CHAIRMAN/VOL.XIII/310 indicated to the developer that some of land parcels ref LR NO.MN/VI/4789, LR NO. VI 4180, 3819 and 3823 were reclaimed and which according to the commission amounted to allocation and had to be sanctioned by the commission. The commission requested for letter of application for and approval to reclaim the land. The Commission further instructed immediate cessation of any development on the subject land and its environs until determination of the matter.

In the year under review, the Authority did not provide any indication that the National Land Commission had sanctioned reclamation of the land and that Minister responsible for transport had permitted change of the harbor area as required by Section 34 of the KPA Act Cap 391.

The developer, therefore, illegally excised part of the harbor area and has proceeded to develop the same against the instruction issued by the National Land Commission.

1.4.2 Approval of Access Road

As similarly reported in the previous financial year, the Authority's board approved for the construction of a road linking the reclaimed parcels of land by the same developer to the Port through a defined route on parcel MSA/BLOCK 1/691 which was reclaimed through dumping material from the Port. The road is restricted for use by the developer only who has installed a weighbridge and an office. The Authority indicated that the title for the reclaimed land was acquired by the developer on behalf of the Authority at the developers cost. The reclaimed land forms part of the harbor area which could only be amended by a gazette notice by the Minister responsible for transport and not the Authority's board or management.

The Management has not explained how the developer applied for and acquired title for the irregularly reclaimed land on behalf of the Authority and who authorized the Management to initiate the transaction. The Authority therefore violated Part IV Section 8(e) of KPA Act that requires the board to ensure 'that no particular person or body is given any undue preference or is subjected to any undue disadvantage.

In light of the foregoing, it has not been possible to ascertain the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.133,409,067,000 as at 30 June 2017.

2.0 Pension Scheme Expenses

As similarly reported in the previous year, the statement of profit and loss and other comprehensive income reflects administrative expenses amount of Kshs.2,924,092,000 for the year ended 30 June 2017. Included in this amount are expenses paid by the Authority on behalf of the KPA's pension scheme's administrative expenses amounting to Kshs.52,314,784 as detailed in Appendix IV. This was done contrary to the Treasury circular 18/2010-52(10) dated 24 November 2010 which requires the employer to meet the set up costs for the scheme only for the first year. Although the Management has indicated that a process of delinking the pension's scheme expenses from the Kenya Ports Authority Board has been initiated, the process had not been concluded as at 30 June 2017.

Consequently, it has not been possible to confirm the propriety of Kshs.52,314,784 paid as pensions schemes' administration expenses for the year ending 30 June 2017.

3.0 Retirement Benefit Asset

The statement of financial position reflects retirement benefit asset amounting to Kshs.2,980,174,000 as at 30 June 2017 as detailed in Note 21 to the financial statements. Analysis of the investment portfolio shows that investment in properties for the scheme was at 48.2% of the total assets. This contravened the Retirement Benefit Act, 1997 and the Regulations Act, 1997 which requires that a scheme shall invest only in an asset class which the market value of the class expressed as a percentage of the total asset shall not exceed thirty percent of the total assets. Further, financial statements for the Defined Benefit Scheme were not submitted for audit as required by Section 47 of the Public Audit Act, 2015.

From the foregoing, the Authority breached the Law.

4.0 Receivables and Prepayments

As reported in the previous financial years reports, the receivables and prepayments balance of Kshs.8,848,612,000 as at 30 June 2017, include amounts of Kshs.287,231,000 owed by the Ministry of Transport (Treasury/Dredgco Limited) that have long been outstanding. Further, included in the receivables and prepayments balance are amounts Kshs.591,459,937.22 in respect of debts owed by three firms which have been outstanding since 2004/2005 financial year. These firms are Kenol Kobil, Kobil Petroleum Ltd and Kenya National Shipping Line which owed Kshs.134,684,891.20, Kshs.431,289,649.09 and Kshs.25,485,396.93 respectively. Although the Management has fully impaired these amounts, the firms disputed the debts and it could not be confirmed if they will ever be recovered.

Under the circumstances, the accuracy and completeness of the receivables and prepayments of Kshs.8,848,612,000 as at 30 June 2017 could not be confirmed.

5.0 Long Term Investments

The statement of financial position reflects long term Investments balance of Kshs.3,973,618,000 as at 30 June 2017, an increase of Kshs.3,031,407,000 from balance of Kshs.731,288,000 as at 30 June 2016. This includes a deposit in Chase Bank of Kshs.3,031,407,000 as at 30 June 2017. Although the Central Bank of Kenya has given a clear road map of how the money will be recovered, it is clear that the Authority contravened the Treasury Circular No. 10 of 15 July 1992 which required that specific approval of the board before investment proposals are forwarded to the treasury.

Under the circumstances, it has not been possible to confirm the validity of the deposits of Kshs.3,031,407,000 invested in Chase Bank and transferred to long term investment as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Ports Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other matter sections, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

Budget Control and Performance

1. Revenue

The authority had a revenue budget of Kshs.41,403,357,656 but managed to collect Kshs.41,441,967,695.56 leading to over collection of Kshs.38, 610,038 for the year ended 30 June 2017 under review. As analyzed below;

REVENUE TYPE	BUDGET	ACTUAL	OVER COLLECT ION	UNDER COLLECTION	VARIA NCE
PILOTAGE	769,746,789.08	552,975,596.48	-	216,771,192.60	28%
SERVICES	1,733,844,723.00	1,591,258,781.95	-	142,585,941.05	8%
MOORING	357,778,858.27	304,838,896.10	-	52,939,962.17	15%
DUES	270,892,687.00	246,920,377.03	-	23,972,309.97	9%
DUES	597,807,940.47	548,514,117.11	-	49,293,823.36	8%
DOCKAGE	674,007,601.00	562,640,496.74	-	111,367,104.26	17%
NORMAL	16,464,229.00	3,962,880.75	-	12,501,348.25	76%
VESSELS	6,881,294.00	190,916.80	-	6,690,377.20	97%
SECURITY	164,928,750.00	148,622,808.18	-	16,305,941.82	10%
STEVEDORING	13,218,972,381.00	13,043,627,248.19	-	175,345,132.81	1%
EQPT.	213,752,618.27	195,218,807.13	-	18,533,811.14	9%
CONT.	2,067,900,799.53	2,097,141,026.18	29,240,226.65	-	-1%
CONT	2,380,249.00	-	-	2,380,249.00	100%
SHOREHANDLING	4,399,730,431.13	4,774,185,990.45	374,455,559.32	-	-9%
CHGS.	357,348,727.34	317,423,778.39	-	39,924,948.95	11%
STUFF	14,358,486.28	887,793.61	-	13,470,692.67	94%
VERIFICATION	4,765,716.00	7,389,620.46	2,623,904.46	-	-55%
CARGO	177,266,341.41	225,083,655.74	47,817,314.33	-	-27%
CONT.	63,989,376.86	109,930,980.95	45,941,604.09	-	-72%
CONT.	2,174,121,467.95	1,728,429,632.24	-	445,691,835.71	20%
FEES	1,633,902.00	949,036.00	-	684,866.00	42%

LICENCES	3,538,817.00	118,021,181.01	114,482,364.01	-	-3235%
REV.	418,402,477.85	69,218,219.61	-	349,184,258.24	83%
WHARFAGE	11,967,810,874.55	12,910,378,415.52	942,567,540.97	-	-8%
WATER	530,984.00	463,236.39	-	67,747.61	13%
REV.	74,447,322.71	45,403,819.00	-	29,043,503.71	39%
RECEIVABLE	205,719,737.00	208,205,697.19	2,485,960.19	-	-1%
CLLG	86,370,506.00	71,817,323.73	-	14,553,182.27	17%
A	26,159,165.00	3,998,651.90	-	22,160,513.10	85%
EMPLOYEE	128,088,987.00	109,192,139.87	-	18,896,847.13	15%
SURVEYED	8,865,809.00	682,120.70	-	8,183,688.30	92%
PASSES	173,718,440.00	98,448,406.95	-	75,270,033.05	43%
DOCUM	2,032,927.00	386,206.92	-	1,646,720.08	81%
SUNDRY	76,184,648.00	105,022,597.53	28,837,949.53	-	-38%
LO	113,356.00	551,572.71	438,216.71	-	-387%
EARNIN	942,800,237.00	1,239,985,666.05	297,185,429.05	-	-32%
FOREX	-	123,268,000.00	123,268,000.00	-	
WRITE BACK OF STOCK	-	206,000.00	206,000.00	-	
BAD DEBTS RECOVERD	-	7,109,000.00	7,109,000.00	-	
	41,403,357,656.70	41,572,550,695.56	2,016,659,069.31	1,847,466,030.45	

Analysis of the budget revealed the following

i. Revenue under collection

Nineteen (19) revenue streams recorded under collection from the set targets by more than 10%. No information was availed to explain the circumstances for the under-collections which are significant.

ii. Revenue over collection

Seven revenue streams recorded collections over and above the set target by more than 10%. In most cases, the revenue targets surpassed the targets depicting a case of under-budgeting of revenues to portray a positive overall performance.

2. Expenditure

During the year under review the Authority had a total budget of Ksh.24,415,954,338 and incurred a total expenditure of Ksh.23,445,252,346 as analyzed below;

ACTUAL V/S BUDGET ANALYSIS					
ACCOUNT NO.	BUDGET	ACTUAL	OVER EXPENDITURE	UNDER EXPENDITURE	% VAR
BASIC SALARY AND ALL	6,194,708,360.00	6,445,390,961.24	250,682,601.24	-	-4%
O/T	1,790,281,608.00	2,295,310,540.93	505,028,932.93	-	-28%
ALLOWANCE	1,654,108,470.00	1,534,412,416.39	-	119,696,053.61	7%
NORM. STAFF HSE. ALL	2,415,341,120.00	2,393,967,718.90	-	21,373,401.10	1%
LEASE S/HSE	22,599,820.00	3,617,700.00	-	18,982,120.00	84%
SPECIAL ACCOM.	10,000,000.00	19,103,020.00	9,103,020.00	-	-91%
D/TRAVEL	264,180,660.00	313,854,712.51	49,674,052.51	-	-19%
L/TRAVEL	309,854,470.00	340,662,531.70	30,808,061.70	-	-10%
M/MILEAGE	1,510,627,330.00	1,433,994,930.50	-	76,632,399.50	5%
STAFF PENSION - DC	961,507,120.00	955,074,990.20	-	6,432,129.80	1%
STAFF PENSION - DB	273,699,370.00	159,209,866.19	-	114,489,503.81	42%
S/GRAT	1,688,060.00	9,452,021.86	7,763,961.86	-	-460%
LONG SERVICE AWARD	1,870,000.00	0.00	-	1,870,000.00	100%
S/SECURITY	179,703,360.00	134,400.00	-	179,568,960.00	100%
MEDICINES	239,773,000.00	223,855,635.38	-	15,917,364.62	7%
HOSPITAL / REF	462,900,000.00	504,477,052.47	41,577,052.47	-	-9%
FIRST AID & AMBULANC	6,450,000.00	6,160,693.50	-	289,306.50	4%
PUBLIC MED. EDUCATIO	21,600,000.00	8,086,362.26	-	13,513,637.74	63%
INCENTIVE SCHEME	7,000,000.00	26,364,715.00	19,364,715.00	-	-277%
TOTAL ESTABLISHMENT COST	16,320,892,748.00	16,673,130,269.03	894,637,682.71	568,764,876.68	-2%
MAT.& OP. STORES	525,859,340.00	392,515,688.80	-	133,343,651.20	25%
MARINE SPARES	291,500,000.00	199,517,008.07	-	91,982,991.93	32%
DIV&SIG EQUIP.	1,500,000.00	2,586,206.90	1,086,206.90	-	-72%

BUOYS	4,000,000.00	2,584,200.00	-	1,415,800.00	35%
FLRS & PLNTS	1,510,000.00	114,513.97	-	1,395,486.03	92%
CRANES SPARES	228,000,000.00	254,009,389.10	26,009,389.10	-	-11%
FUEL	883,642,880.00	427,368,565.89	-	456,274,314.11	52%
OIL / LUBS	100,522,800.00	65,790,273.56	-	34,732,526.44	35%
CLEAN AGENTS	17,983,770.00	4,441,279.31	-	13,542,490.69	75%
GAS/WELDING SUPP.	370,000.00	7,594.83	-	362,405.17	98%
UNIFORM AND CLOTHING	304,968,490.00	322,739,584.76	17,771,094.76	-	-6%
CLEAN IMPLMTS & DETER	71,722,940.00	28,619,378.76	-	43,103,561.24	60%
TOOLS AND PLANT	53,484,300.00	50,429,970.13	-	3,054,329.87	6%
MAINT. PABX&VHF	43,294,900.00	12,754,119.39	-	30,540,780.61	71%
MED. EQUIPT	13,610,230.00	3,136,289.94	-	10,473,940.06	77%
REPAIRS/ANNUAL CONT.	644,050,000.00	956,264,323.32	312,214,323.32	-	-48%
ELEC. SERV	318,999,800.00	299,892,503.63	-	19,107,296.37	6%
MOBILE PLANT SPARES	169,200,000.00	209,266,421.75	40,066,421.75	-	-24%
ELECTRICAL SPARES	109,250,000.00	207,431,586.09	98,181,586.09	-	-90%
TYRES TUBES	160,150,000.00	111,659,764.82	-	48,490,235.18	30%
REF. AND AIR COND.	21,000,000.00	26,454,043.33	5,454,043.33	-	-26%
BATTERY CHARGES CLO	16,260,000.00	16,298,474.60	38,474.60	-	0%
TOTAL OPERATING COST	3,980,879,450.00	3,593,881,180.95	500,821,539.85	887,819,808.90	
TEL/TELEX/FAX SERV.	20,406,960.00	10,734,153.77	-	9,672,806.23	47%
WATER SUPP. SERV.	80,914,800.00	111,583,971.95	30,669,171.95	-	-38%
CTY & MUN. RATES	134,600,000.00	48,838,459.37	-	85,761,540.63	64%
OFFICE RENT KAMPALA	7,960,690.00	7,481,128.27	-	479,561.73	6%
LIB AND ARCH	14,710,000.00	13,362,082.32	-	1,347,917.68	9%
NURSERY SCHOOLS	4,500,000.00	2,671,340.00	-	1,828,660.00	41%
LAUNDRY	6,116,080.00	3,763,981.48	-	2,352,098.52	38%

PROV CATERING	54,150,000.00	37,758,441.66	-	16,391,558.34	30%
CARP AND CURT CLEAN.	696,300.00	454,152.08	-	242,147.92	35%
DIRECTORS ALLOWANCES	50,000,000.00	58,744,525.03	8,744,525.03	-	-17%
FURN/FITT.	1,550,000.00	5,825,561.11	4,275,561.11	-	-276%
PRINT STATIONARY	109,198,540.00	67,304,332.36	-	41,894,207.64	38%
POSTAGE	11,184,000.00	5,823,513.05	-	5,360,486.95	48%
OFFICE INCIDENTALS	31,835,700.00	26,124,163.66	-	5,711,536.34	18%
ENTERTAINMENT	8,028,000.00	6,768,349.37	-	1,259,650.63	16%
CLUB MEMB. FEES	4,950,000.00	2,065,342.95	-	2,884,657.05	58%
POLICE SERV	8,000,000.00	7,317,855.63	-	682,144.37	9%
S&G SERV	47,944,000.00	45,875,566.33	-	2,068,433.67	4%
P/PASSES	15,500,000.00	15,467,033.10	-	32,966.90	0%
RADIO SERV	1,000,000.00	1,454,855.40	454,855.40	-	-45%
PUB&ADVERT	215,740,000.00	156,396,282.70	-	59,343,717.30	28%
SUBSCRIPTIONS	16,000,000.00	20,308,542.24	4,308,542.24	-	-27%
HIRE C/BUS	99,559,700.00	89,213,790.02	-	10,345,909.98	10%
ASK SHOWS	27,000,000.00	31,112,394.04	4,112,394.04	-	-15%
SPORTS	40,700,000.00	55,091,112.53	14,391,112.53	-	-35%
WELF	31,600,000.00	28,817,833.23	-	2,782,166.77	9%
IND REL COSTS	9,000,000.00	14,546,170.95	5,546,170.95	-	-62%
DEVELOPMENT STUDIES	114,000,000.00	130,636,418.37	16,636,418.37	-	-15%
CONSUL FEES	93,704,000.00	22,268,083.65	-	71,435,916.35	76%
TRAINING	409,500,000.00	422,700,530.69	13,200,530.69	-	-3%
CURRIC DEV	25,000,000.00	25,837,555.00	837,555.00	-	-3%
TRADE TEST MATERIAL	3,000,000.00	1,175,838.00	-	1,824,162.00	61%
RECRUITMENT COSTS	20,000,000.00	17,174,889.01	-	2,825,110.99	14%
ACCOM. COSTS	0.00	195,250.00	195,250.00	-	
RETIREEES EXPENSES	34,500,000.00	21,672,917.95	-	12,827,082.05	37%

SURVEY CHARGES	18,000,000.00	2,679,924.52	-	15,320,075.48	85%
COMP & NETWORK	301,448,540.00	224,558,493.49	-	76,890,046.51	26%
WEBSITE	2,500,000.00	2,644,659.81	144,659.81	-	-6%
LICENCES	709,296,700.00	521,230,666.53	-	188,066,033.47	27%
CAPITAL EXPENDITURE	0.00	0.00	-	-	
INSURANCE PREMIA	353,000,000.00	301,135,737.12	-	51,864,262.88	15%
UN INSURED LOSS	30,000,000.00	1,311,506.00	-	28,688,494.00	96%
CAR REG LICENCES	710,000.00	260,270.31	-	449,729.69	63%
STOCK TAKE EXP.	3,000,000.00	940,989.31	-	2,059,010.69	69%
CORP.SOCIAL RESPOS.	50,600,000.00	29,483,619.89	-	21,116,380.11	42%
VICTUALS & SNACKS	21,950,000.00	19,817,281.15	-	2,132,718.85	10%
WAJIBIKA	100,000,000.00	26,664,091.57	-	73,335,908.43	73%
PROFESSIONAL	42,350,000.00	44,546,480.80	2,196,480.80	-	-5%
AUDIT FEES	12,000,000.00	8,050,000.00	-	3,950,000.00	33%
BANK CHARGES	20,000,000.00	15,191,038.07	-	4,808,961.93	24%
LEG FEES & REG L DOC	200,000,000.00	209,009,628.96	9,009,628.96	-	-5%
FRINGE BENEFIT TAX	5,000.00	-	-	5,000.00	
REV FEES	20,000,000.00	-	-	20,000,000.00	
REG LEGAL DECUM	2,000,000.00	-	-	2,000,000.00	
DATA TAKE ON	300,000,000.00	-	-	300,000,000.00	
NON CLAIMABLE INPUT	5,000,000.00	-	-	5,000,000.00	
TOTAL ADMINISTRATIVE EXPENSES	3,944,409,010.00	2,924,090,804.80			
INT ON LONG T/LOANS	139,773,130.00	41,759,115.88	-	98,014,014.12	70%
COMPENS CARGO CLAIMS	10,000,000.00	2,014,549.45	-	7,985,450.55	80%
PRICE DIFF LOSS/GAIN	0.00	1,630,983.18	1,630,983.18	-	
DISCOUNT ALLOWED	10,000,000.00	96,832,557.89	86,832,557.89	-	-868%
IMPAIRMENT LOSS/(G)	10,000,000.00	109,121,538.34	99,121,538.34	-	-991%

IMPAIRMENT LOSS	0.00	2,791,347.45	2,791,347.45	-	
			-		
TOTAL FINANCE COST	169,773,130.00	254,150,092.19	88,463,541.07	105,999,464.67	
OVERALL TOTALS	24,415,954,338.00	23,445,252,346.97	1,483,922,763.63	1,562,584,150.25	

Analysis of the Expenditure Budget revealed the following;

- i) Five cost item did not have actual expenditure for the period while the Authority had provided for a budget amounting to Kshs 328,875,000.
- ii) The Authority under spent on twenty two (22) expenditure items with over 10% whose explanations for the under expenditure as detailed in the statement of comparison of budget and actual was not satisfactory.
- iii) Twenty one (21) cost elements had an over expenditure of more than 10% during the year. The Authority did not provide explanation for the budget overruns.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 April 2018

Appendix I
Alienated Properties

	PLOT NO.	Financial Statement value Kshs	ALLOCATED TO	STATUS	CASE NO./ LAWYERS
1.	XLVII/111 0.2833 Ha	0	Robert Mutiso P. O. Box 285587 Nairobi	2. No.semi- detached staff quarters. Authority's	HCCC No.495/01 Timamy & Co. Advocate A.B. Patel & Patel Advocates

				employees in occupation	
2.	XLVII/112 0.7503 Acres	80m	Stone Wave Limited P.O. Box 82576 Mombasa Directors Abbasali A.G. Dossa Naushad A. Merali	Warehouses	HCCC NO. 499/01 Timamy & Co. Advocate A.B. Patel & Patel Advocates
3.	XLVII/113 0.535 Acres	31m	Supernova Properties P. O. Box 82077 Mombasa Directors Ashok L.Doshi Doshi Group of Companies	An office block has been constructed on the plot	HCCC NO. 40/05 Timamy & Co. Advocate A.B. Patel & Patel Advocates
4.	XLVII/114 0.363 Acres	19.8m	Suntania Limited P. O. Box 87270 Mombasa	A boundary stone wall has been built	HCCC NO. 40/05 Timamy & Co. Advocate A.B. Patel & Patel Advocates
5.	XLVII/115	23.2m	Freight Constructions services	Boundary wall and offices constructed	HCCC No.43/05 Timamy & Co. Advocate A.B. Patel & Patel Advocates
6.	XLVII/116	35m	Freight Constructions services	Boundary wall and offices constructed	HCCC No.43/05 Timamy & Co. Advocate A.B. Patel & Patel Advocates
7.	XLVII/117 0.558 Acres	22.9m	Nature System Limited P. O. Box 19002 Nairobi Directors Abdul-Gaffur Abdulgani Pastor Abdulgani Abdul-Gaffur Pastor	Boundary wall constructed	HCCC No. 496/01 Timamy & Company Advocates A.B.Patel & Patel Advocates
8.	XLVII/118	51.1m	TSS Grain Millers P. O. Box 85039 Mombasa	Boundary wall constructed	HCCC No.41/2005 Timamy & Company Advocates A.B.Patel & Patel Advocates

9.	XLVII/179 0.0336 Ha	0	Akaba Investment P. O. Box 8997 Mombasa Directors Abdikarim Shigog	Construction had commenced but was stopped by a court order	HCCC No.124/01Karigithu & Company Advocates
10.	1/469 0.2501 Ha	0	Hydery (P) Limited P. O. Box 82576 Mombasa Masumali G. Merali Naushad A. Merali	Warehouse built on plot	No court case
11.	XXVII/508 0.1278 acres	0	Essam Properties P. O. Box 82578 Mombasa Directors Masumali G. Merali Naushad A. Merali	KPA house demolished. A boundary stone wall built on the plot	HCCC No. 497/01 Timamy & Co. Advocates A.B. Patel & Patel Advocates
12.	XXVI/928 0.900 acres	0	Kilifi Gardens Limited P. O. Box 82576 Mombasa Directors Masumali G. Merali Naushad A. Merali	KPA house demolished. A boundary wall built around the plot.	HCCC No. 498/01 Timamy & Company Advocates A.B. Patel & Patel Advocates
13.	XXVI/1001 0.1805 Ha	6m	Wayland Limited P. O. Box 12416 Nairobi Directors Not on company registry database Geometer Ltd – Directors Godon Wayumba , Alice Ochieng , Francis Odhiambo	KPA house occupied by OCPD Port	HCCC No. 500/01 Timamy & Company Advocates A.B. Patel & Patel Advocates
14.	XLVII/149	0	Osman Taraab and Zera Taraab	Warehouses	No court proceedings
15.	XLVII/150 0.1551 Ha	0	Sunnex Ent. Limited P. O. Box 82077 Mombasa Directors Ashok L.Doshi Doshi Group of Companies	Plot created from road reserve at either side of road at Dockyard and adjacent to Port fence	No court proceedings

16.	XLVII/151 0.450 Ha	0	Venezia Ent. Limited P. O. Box 86029 Mombasa Directors Abdul-Gaffur Abdulgani Pasta Abdulgani Abdul- Gaffur Pasta	As above. No development	No court proceedings
17.	XLVII/152 0.450 Ha	0	Venezia Ent. Limited P. O. Box 86029 Mombasa Abdul-Gaffur Abdulgani Pasta Abdulgani Abdul- Gaffur Pasta	As above	As above
18.	XLVII/153 0.450 Ha	0	As above	As above	As above
19.	XLVII/154 0.0450	0	As above	As above	As above
20.	XLVII/155 0.0675 Ha	44.4m	Oceanfreight (MSC) P. O. Box 80637 Mombasa	Grabbed and sold to MSC. Car Park built	As above
21.	XLVII/162 0.0451 Ha	0	Vanezia Ent. Limited P. O. Box 86029 Mombasa Abdul-Gaffur Abdulgani Pasta Abdulgani Abdul- Gaffur Pasta	As above. Plot created from road reserve being managed by KPA.	As above
22.	XLVII/163 0.0531	0	Osman Hajj Talab & Zera Osman Talab P. O. Box 98142 Mombasa	As above. Plot created from railway reserve Boundary wall and buildings	Railway siding plots allocated to private individuals. No Advocates are handling these cases.
23.	XLVII/164 0.500 Ha	0	As above	As above	As above
24.	XLVII/165 0.0496 Ha	0	As above	As above	As above
25.	XLVII/166 0.0497	0	Joseph Ngetich P. O. Box Mombasa	As above	As above
26.	XLVII/167 0.0502 Ha	0	Lumda Ent.	As above	As above

			P. O. Box 20712 Nairobi. Mwenda Mbogori Lucy G. Mwenda		
27.	XLVII/168 0.0501 Ha	0	Gladys Tesot	As above	As above
28.	XLVII/169	0	Not registered	As above	As above
29.	I/528 & 529	0	Chembe Holdings and Musk Deer Daniel N Kihiko Abbas M Yusuf	Road reserve	Ethics & Anti- Corruption Commission
	TOTAL	313.4m			

Appendix II

Pieces of Land Without Title

	<u>Land Description</u>	<u>County</u>	<u>Value Kshs</u>
1	Plot No. MSA/BLOCK XI/66-0.1773HA/TUDOR	Mombasa	15,000,000.00

2	Plot No. MSA/TUDOR/BLOCK XI/613 & 614-0.1771HA	Mombasa	10,000,000.00
3	Plot No. MSA/BLOCK 1/315-3.13 ACRES SHIMANZI	Mombasa	68,000,000.00
4	MSA/BLOCK 1/358 0.389 ACRES SHIMANZI	Mombasa	10,000,000.00
5	L.R. No MI/BLOCK 1/14R 7.29 ACRES (KHL) SHIMANZI	Mombasa	180,000,000.00
6	Plot No.Msa/ Shimanzi/Block 1/253(254-1.4043) HA	Mombasa	60,000,000.00
7	Plot No. MSA/MBARAKI/BLOCK XLVII/155-0.4491HA	Mombasa	44,400,000.00
8	Plot No. MSA/BLOCK XLVIII/131-1.796HA-MBARAKI	Mombasa	200,000,000.00
9	Plot No. MSA/MBARAKI/BLOCK XLVIII/156-0.3024HA	Mombasa	30,000,000.00
10	Plot No. MSA/MOI AVE/BLOCK XLVII/84-0.1854HA	Mombasa	27,480,000.00
11	Plot No. MSA/LIWATONI/BLOCK XLVII/67-0.8499HA	Mombasa	84,000,000.00
12	Plot No. MSA/BLOCK XLVIII/43-3.7798HA-MBARAKI	Mombasa	373,600,000.00
13	Plot No. MSA/MBARAKI/BLOCK XLVIII/44-0.5140HA	Mombasa	50,800,000.00
14	Plot No. MSA/MBARAKI/BLOCK XLVIII/45-7.3654HA	Mombasa	728,000,000.00
15	MSA BLOCK XLVIII/164-0.2017 HA MBARAKI	Mombasa	22,500,000.00
16	MSA BLOCK XLVIII/173- LIWATONI	Mombasa	213,500,000.00
17	MSA BLOCK XLVIII/189-0.2017 HA MBARAKI	Mombasa	23,500,000.00
18	MSA BLOCK XLVIII/558-0.5539 HA MBARAKI	Mombasa	64,000,000.00
19	MSA BLOCK XLVIII/119-0.1012 HA MBARAKI	Mombasa	9,000,000.00
20	Plot No. Msa/MBARAKI/BLOCKXLVII/135-1.4314HA	Mombasa	141,400,000.00
21	Plot No. Msa/MBARAKI/BLOCK XLVII/138-0.4249HA	Mombasa	42,000,000.00
22	Plot No. Msa/MBARAKI/BLOCK XLVII/140-0.8739HA	Mombasa	86,300,000.00
23	PLOT NO. XLVII/III -0.2849 ACRES-PUTNEY BRIDGE	Mombasa	35,190,000.00
24	PLOT NO. XLVIII/121 -0.4571 Hectares-MBARAKI CLUB	Mombasa	48,900,000.00
25	PLOT NO .XLVIII/122 -0.2627 ACRES-MBARAKI CLUB	Mombasa	20,000,000.00
26	PL NO .BLK NO.XLVII/112 -0.7503 ACR BANDARI/W.HOUS	Mombasa	80,000,000.00

27	PL NO.BLK XLVII/113 -0.2165 ACR-BANDARI/WHITE HSE	Mombasa	31,000,000.00
28	PL NO.BLKXLVII/114/14 -0.1496 ACR-BANDARI/WHITE HS	Mombasa	19,800,000.00
29	PL NO. BLK XLVII/117 -0.2258 ACR-BANDARI/WHITE HSE	Mombasa	22,900,000.00
30	PL NO. BLK XLVII/118 -0.3759 ACR-BANDARI/WHITE HSE	Mombasa	51,100,000.00
31	PLOT NO .XLVII 174/77/78/79 -2.4071 ACR-B/ COLLEGE	Mombasa	453,900,000.00
32	Plot No. MSA/BLOCK XLVII/106-1.3946 HA LIWATONI	Mombasa	59,000,000.00
33	PLOT NO. I/471 BLOCK 1MSA-SHIMANZI ESTATE	Mombasa	108,000,000.00
34	LR BLOCK 15/1817 - ICD ELDORET 17.63Ha	Eldoret	65,220,000.00
	TOTAL		3,478,490,000

Appendix III Unutilised Pieces of Land

	Parcel	County	Location(Area)	Size (Ha.)	Value(Kshs)	Status
1	MSA/XLVII / 81, 82 & 83	Mombasa	Mombasa town along Moi Avenue	0.58	84,380,000.00	Six(6) Very old and dilapidated developments

2	MN/III/528/E	Kilifi	Takaungu Area	173.21	233,783,200.00	Occupied by squatters
3	LR/9093	Kilifi	Opposite Malindi Airport	7	66,585,000.00	Occupied by squatters
4	MS/46/1	Mombasa	Likoni Area	5.07	9,000,000.00	Open field utilized for social activities by locals
5	MS/1682/I	Mombasa	Likoni Area	2.71	26,765,000.00	Occupied by squatters
6	MS/137/II	Mombasa	Mtongwe Area	2.46	21,600,000.00	Occupied by squatters
7	LR/16121	Kwale	Shimoni Area	2.50	9,325,550.00	Vacant
8	MV/V1614	Mombasa	Kibarani Area	2.50	18,820,000.00	Occupied by squatters
9	MN/V/1683	Mombasa	Miritini Area	1.02	6,288,695.00	Vacant
10	MN/V/196	Mombasa	Jomvi Kuu Area	25.50	63,000,000.00	Vacant
11	LR 24588	Busia	Malaba town	9.181	19,650,000.00	Vacant and Fenced
12	MN/17944/45	Kisumu	Kisumu town	2.40	8,500,000.00	Being cultivated by locals
13	MN/VII/3794	Mombasa	Chaani Area	12.24	90,735,000.00	Occupied by squatters
14	MN 5325	Taita-Taveta	Taita Taveta town	17.10	2,500,000.00	Vacant and fenced
	Totals			263.471	660,932,445	

Appendix IV Pension Scheme Administration Expenses

Ledger no.	Ledger Name	Amount Kshs.
600111	BASIC SALARY	26,818,240.97
600114	OVERTIME	4,983,871.44

600116	STAFF ALLOWANCES	3,095,368.00
600121	NORM. STAFF HSE. AL	8,463,210.00
600131	DUTY TRAVEL	634,083.00
600132	LEAVE TRAVEL	741,650.00
600133	MOTOR MILEAGE	5,770,000.00
600211	MAT.& OP. STORES	7,629.30
600221	FUEL	145,866.62
600232	CLEAN IMPLMTS &DETE	94,699.10
600522	PRINT STATIONARY	199,215.95
600523	POSTAGE	87,302.80
600525	OFFICE INCIDENTALS	241,179.82
600643	CONSULTANT FEES	600,000.00
600654	TRAINING	50,000.00
600801	PROFESSIONAL	382,467.00
	Total	52,314,784.00